

U.S. Said to Bar Bugging On Teamsters-Mafia Link

Two Justice Dept. Officials Reported to Have Halted F.B.I. Surveillance After Disclosures of Union Payoff Plan

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LOS ANGELES, April 28—Two ranking officials of the Department of Justice eight weeks ago turned down a request by the Federal Bureau of Investigation to continue electronic surveillance that had begun to penetrate teamsters' union connections with the Mafia, according to Government sources.

Attorney General Richard G. Kleindienst and Assistant Attorney General Henry E. Petersen were said to have made the decision after 40 days of F.B.I. wiretapping had begun to help strip the cover from a Mafia plan to reap millions of dollars in payoffs from the welfare funds of the International Brotherhood of Teamsters. The officials acted on the grounds that investigation had failed to show "probable cause" to continue eavesdropping, the sources said.

They reportedly acted after having received a memorandum, prepared at the direction of L. Patrick Gray 3d, who was then the bureau's acting director. The memorandum indicated the sensitivity of the investigation, which was reportedly producing disclosures potentially damaging and certainly embarrassing to the teamsters president, Frank E. Fitzsimmons, the Nixon Administration's staunchest ally within the labor movement.

The Administration's cultivation of the two-million-member union culminated last year in a teamster endorsement of the President's reelection, and Mr. Nixon has made it clear that the door to his office is always open to Mr. Fitzsimmons.

The Kleindienst-Petersen de-

cision came less than a month before Charles W. Colson, special counsel to the President, left the White House to join a Washington law firm to which Mr. Fitzsimmons had transferred the union's legal business.

Before leaving the White House, Mr. Colson had been instrumental in formulating Administration political strategy regarding organized labor.

Mr. Colson, through his attorney and law partner, David I. Shapiro, denied any knowledge of the matter being investigated by the Federal and California authorities. Efforts to reach Mr. Fitzsimmons were unsuccessful.

The electronic surveillance began on Jan. 26 under an order of the Federal District Court in Los Angeles authorizing the F.B.I. to tap all tele-

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James R. Hoffa will run for president of Detroit union local. See Page 55.

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phone numbers in the offices of People's Industrial Consultants, 9777 Wilshire Boulevard, Los Angeles, Justice Department sources said.

The consulting firm is a Mafia front set up to channel teamster welfare money to underworld figures, the sources said.

On Feb. 14 the court authorized an extension of the taps until March 6. The taps were requested and installed under the Omnibus Crime Control and Safe Streets Act of 1968.

What was learned from the taps was described in an F.B.I. affidavit submitted to Justice Department lawyers. The affidavit asked for continuance of the existing surveillance for 20 days and installation of new taps on a public telephone and the office telephones of an alleged mobster implicated in the plot to siphon money from the teamster.

The affidavit said that investigation up to then, including the use of electronic listening devices, had indicated "a pattern of racketeering activity—that is, a series of payments of commissions or kickbacks" flowing from corporations controlled by a doctor in league with the mob through People's Industrial Consultants "to the officers and agents of the employee welfare benefit plan," in violation of Federal statutes.

Mr. Petersen and Mr. Kleindienst, however, would not allow an application for renewal of the court order.

A request yesterday to the Justice Department for comment from the two Government officials went unanswered.

The F.B.I. affidavit cited information reportedly given to the bureau by an informant in contact with an associate of Allen Dorfman, consultant to the teamsters' billion-dollar Central States, Southeast and Southwest Areas Pension Fund, who began serving a Federal prison term a month ago for conspiring to receive a kickback in connection with a loan application made to the pension fund.

Talks on Health Plan

The informant, identified in the affidavit as "Source No. 3," said that on Feb. 8, at the Mission Hills Country Club in Palm Springs, Calif., Dorfman's associate introduced Mr. Fitzsimmons to Peter Milano, Sam Sciortino, and Joe Laman-dri, identified by the F.B.I. as members of the Mafia. The teamster leader was in Palm Springs participating in the Bob Hope Desert Classic golf tournament.

Justice Department sources reported that, according to the informant, the three men pre-

sented to Mr. Fitzsimmons a proposal for a prepaid health plan, under which members of the union covered by its welfare program would be provided with medical care by Dr. Bruce Frome, a Los Angeles physician. Monthly medical fees for each union member would be paid by the Central States Welfare Fund from the millions of dollars contributed to it by employers under teamster contracts.

In a 15-minute conference with the three, the informant added, Mr. Fitzsimmons gave his tentative approval and sent the group to a Palm Springs residence for definitive discussions with Dorfman, according to the informant.

The F.B.I. was said to have learned that the next day Mr. Fitzsimmons met with Lou Rosanova, identified by Justice Department sources as an envoy for the Chicago crime syndicate, which sought a percentage of the Los Angeles mob's take on the health plan.

Justice Department investigators say they have evidence that the Chicago branch of the Mafia is determined to retain the access it had to the pension access it had to the teamster funds through Dorfman, who was imprisoned for tampering with a Federal jury and fraud on his union's pension fund.

As a result, according to the Federal agents, the Chicago Mafia members have kept a sharp eye on Dorfman and Mr. Fitzsimmons since Mr. Fitzsimmons gained clear control of the union.

2d Meeting Reported

Rosanov and Mr. Fitzsimmons talked again on Feb. 12, at La Costa, a plush resort and health spa in San Diego County, according to the Orange County and San Diego County

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authorities. The same authorities reported that a few hours after that meeting, Mr. Fitzsimmons boarded President Nixon's plane and flew to Washington with the President.

Both Rosanova-Fitzsimmons meetings were reportedly observed by informants of the Orange County district attorney's office. On Feb. 27, at La Costa, the same informants say they heard Rosanova boast of a future payoff split between him and Mr. Fitzsimmons.

In its affidavit seeking an extension and a broadening of electronic surveillance the F.B.I. cited as a basis for its request Title 18, Section 1954 of the United States Code, which prohibits commissions and kickbacks to union and welfare plan officials in return for the placement of union business.

During the 40 days the devices were in operation, the sources said, recorded conversations greatly supplemented and tended to corroborate information gathered in other phases of the investigation being carried on by the bureau and authorities in Los Angeles, Riverside, San Diego and Orange counties.

\$1-Billion Cut Foreseen

On Feb. 9, the day after Milano, Sciortino and Lamandri allegedly met with Mr. Fitzsimmons and Dorfman in Palm Springs, the taps at People's Industrial Consultants (P.I.C.) were said to have picked up a conversation between Dr. Frome and Raymond DeRosa, identified by the California authorities as a muscleman for Milano who operates out of the consulting company's offices.

The F.B.I. affidavit said that DeRosa had told the doctor that "the deal with the teamsters is all set." DeRosa indicated to Dr. Frome, according to the affidavit, that People's

Industrial Consultants was in line for a 7 per cent commission, and they talked about a possible \$1-billion-a-year business.

The affidavit went on:

"DeRosa mentioned Fitzsimmons and said that he [Fitzsimmons] shook hands with the man [Milano] and made a deal with him.

"He [DeRosa] stated that P.I.C. would take care of the man out of the P.I.C. commissions. He told Dr. Frome that P.I.C. had to give up a couple of points but it was worth it."

Just a few minutes before, Milano was said to have spoken to DeRosa and passed the word that Mr. Fitzsimmons "said all right." This conversation was also recorded.

Three days later, in another telephone conversation, the affidavit said, DeRosa said that he and two Los Angeles union leaders not with the teamsters would share a 1 per cent cut of the money paid to Dr. Frome by the teamsters. The two union officials he referred to are P.I.C. partners.

On Feb. 26, DeRosa said he would receive \$50,000 "in front" when the teamsters signed up with Dr. Frome, according to the affidavit.

Efforts to reach Dr. Frome for comment was unsuccessful.

In other tapped conversations DeRosa reportedly said that P.I.C. would get a 10 per cent cut of the medical payments. He reportedly complained that the concern had to "give away three points [3 per cent] to get the deal."

This is apparently a reference to that part of the deal surrendered by the Los Angeles Mafia figures to pacify the Chicago representatives.

The F.B.I. affidavit states that extension of the People's Industrial taps, along with new devices on a public telephone used by DeRosa and Milano and two telephone numbers at Milano's bail bond offices in Van Nuys, Calif., would "more completely reveal the details of the scheme whereby kickbacks and commissions are being furnished to union officials for their cooperation in obtaining unions as subscribers to the health plan being offered by Dr. Frome."

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